

Background

Small homelessness providers and Supporting People

Although the focus of this report is on small SP providers, there is no generally agreed definition of 'small'. For the purposes of this report we have taken as a starting point the list of organisations providing short-term services to single homeless people published in CLG's Directory of Supporting People Services, and then excluded:

- Large mainstream RSLs and their subsidiaries
- Large specialist voluntary sector agencies providing services across a number of boroughs
- Large charities with a small number of SP-funded schemes
- Smaller organisations which only provide hostel or foyer accommodation (as opposed to supported housing), since these are less likely to be affected by the issues dealt with in this report.

The resulting small providers are listed in Appendix 3.

We found that there are nearly 80 small homelessness providers in London with SP contracts: a figure based on projects on the DCLG database shown as providing short-term services for homeless people. 58 agencies provide supported housing (1770 beds), and 23 provide floating support services (745 service users); only five organisations appear in both categories. Although at the time of the fieldwork the SP database had not been updated for nearly 6 months, any changes during that time would be unlikely to alter the picture materially because of the low number of tenders taking place in that period.

Possible sources of counting error

For reasons of time and resources, our analysis focused on the 661 short-term services specifically listed as being for homeless people. In reality, many single homeless people will access services which are provided under another category (typically offending, mental health or drug/alcohol), and small organisations providing services for them may be placed in one of these specialist categories because that is the client group which their SP funding pays for. Likewise, the distinction between long-term and short-term accommodation may be less sharp on the ground than it is in SP returns.

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Summary

How this report came about

This report was commissioned by The London Housing Foundation to look at the impact changes in the commissioning of Supporting People services have had on small homelessness providers within London. The original remit was to consider:

- The extent and nature of changes which have already taken place
- The impact these have had on small providers and on service users.

The fieldwork was carried out by Alan Cripps of neadonconsulting ltd between September and November 2007. It consisted of interviews with Supporting People lead officers, key stakeholders and some provider representatives. In addition, it included an analysis of the homelessness projects in London registered in the Directory of Supporting People Services published by the Department of Communities and Local Government, and of advertisements in the trade press announcing tenders for SP services.

Over the course of the project it became clear that few services had so far been put out to tender (these were mainly limited to newly commissioned services and floating support) and that the process did not appear to have had a significant impact on small providers as they were generally not involved in this area of provision. However, there was a good deal of concern among those interviewed that developments in the pipeline could have serious consequences for the core business of smaller providers. The focus of the project was therefore extended, with the interview process used to get a sense of how expert opinion sees the future developing, and the possible consequences for small homelessness agencies.

The picture to date

Small homelessness agencies and Supporting People

We found that there are nearly 80 small homelessness providers in London with SP contracts: a figure based on projects on the DCLG database shown as providing short-term services for homeless people. 58 agencies provide supported housing (1770 beds), and 23 provide floating support services (745 service users); only five organisations appear in both categories.

The number of providers is almost certain to be larger than this as some smaller agencies dealing with homeless people may appear solely in the mental health, offending and alcohol/drug categories.

Commissioning activity so far

Relatively few Supporting People contracts have so far been put out to tender – principally because SP teams have been focusing on moving the services they inherited onto steady state contracts. Of the tender exercises which have taken place, the bulk have focused on floating support services, with a strong tendency to amalgamate a number of small services to develop single, borough-wide generic services. A small number of new services have also been commissioned.

Impact of commissioning on small providers

This has so far been small. Smaller providers were not heavily involved in delivering floating support services in boroughs where reconfiguration has taken place; where they have lost business it has been marginal rather than core.

What the future holds

A number of interviewees were concerned that changes which have not yet materialised, but which are in the pipeline, could have a much more significant – and adverse – effect on small providers. Allowing for the difficulty of forecasting across 32 boroughs with widely differing circumstances, the main expectations were:

Pressure on commissioners to put an increasing number of services out to tender as steady state contracts come up for review

Reprovisioning of accommodation-based services; as the process of tidying up floating support is completed, the focus will inevitably shift towards the main part of the SP budget

Consolidation of ‘bundles’ of existing services into larger single contracts

A move towards framework agreements: these are arrangements in which lists of preferred providers are compiled through a tender process – all future contracts (whether for new services or existing ones where a contract is expiring) are let to one of the preferred providers through a ‘mini-tendering’ process

Erosion of non-specialist ‘second stage’ accommodation: as contracts come up for renewal, it is likely that at least some – mainly for low-support schemes where staff are not based on site – will simply be transferred into the borough-wide generic floating support scheme; some interviewees felt that, over time, this could effectively lead to such properties no longer being part of the supported housing pool

The transfer of SP funds into Local Area Agreements in 2009 and removal of the ring fence around the SP budget.

What Supporting People teams are doing to sustain a diverse provider base

Joint bidding and consortia

A number of SP teams have attempted to encourage small providers to form consortia by running workshops at Small Provider forums and making it known that consortium bids will be welcomed. However, so far there is little evidence of successful consortium bidding; this may be because of the inherent difficulty of the process, compounded by the pressure of deadlines for bidding, and the fact that consortia have some disadvantages when compared with single bidders – as one interviewee put it: ‘you can’t demonstrate a history of working together, and can’t prove it isn’t going to be a communication nightmare’.

Subcontracting

A number of interviewees saw this as a more realistic strategy for smaller providers and have found ways of making it clear to larger organisations that bids which include smaller partners will be looked on favourably. One had organised a series of ‘Meet the Partners’ events to enable relationships to form outside a bidding timetable. SP leads were aware of some well-publicised examples (outside London) where smaller partners had been ‘dumped’ by main contractors after contracts had been awarded, and were considering safeguards which could be built into contract management arrangements to avoid this

Scoring systems and weighting

There was evidence that SP leads were looking at ways in which some of the value smaller partners can bring to SP services can be measured and scored in tender assessment processes. Three areas in particular came up: strategic relevance; partnerships and networking; and added value.

Sharing of good practice

Mechanisms for sharing ideas and examples of how to promote diversity seem to be hit and miss, and to rely mainly on informal contacts between SP leads at sub-regional level; there is no evidence of coordination at London-wide level. DCLG have funded a couple of capacity-building initiatives and are pulling together a series of good practice resource packs – these are due to be available by the middle of 2008.

Implications for small homelessness agencies

Again, this section consists of a summary of the best guesses of expert witnesses. However, there was a degree of consensus among the people we talked to about the likely direction things might take.

Changes in commissioning have not so far had a major impact on the sector, but this is expected to change as procurement techniques and reprocurement begin to focus on areas of core business for small agencies – in particular, the provision of supported housing. It will still be possible for SP teams to let contracts by negotiation, but increasingly this will only be in exceptional circumstances; small providers who wish to persuade commissioners to follow this route will need to be well-versed in the procurement process and very persuasive.

Some contracts (especially those for low support 'second stage' accommodation) are likely to be transferred to the provider of the borough-wide generic floating support service; others are likely to be bundled up with similar services to provide one large contract. In the latter case, small providers will have an opportunity to tender; in the former, they will not – they will simply lose the business.

Where contracts are put out to tender, small providers will be at a competitive disadvantage in several ways:

The tendering process favours organisations with expert bidding capacity – both in terms of ability to put together well-presented, well-constructed tenders, and because it is likely that organisations will have to put in several unsuccessful tenders for each successful bid

They may be perceived as not having the capacity to deliver large scale services

They may be debarred because the value of the tender is too high (many boroughs adopt a rule that contracts cannot be awarded to an organisation where they amount to more than 20% of its total turnover).

Subcontracting offers one possible way of staying in the market, but some organisations – particularly those with specialist skills or links into minority communities – are likely to be more attractive partners than others. Even if a small provider finds a partner, their joint bid may not be successful – so choice of a partner becomes a high stakes gamble.

Consortia are another option, but they require large investments of time and money and, again, carry no guarantee that this investment will be rewarded.

The transfer of SP budgets into Local Area Agreements in 2009 could provide a competitive advantage for organisations with strong local roots and networks. Although, in order for this to be the case, commissioners will need to adopt scoring regimes which ensure that value rather than cost is measured and rewarded.

Small providers appear to be faced with a choice between two generic strategies:

- Specialisation – developing a specialist competence to make them more attractive as partners in consortia and subcontracting relationships) or
- Localisation – embedding the organisation in its local network, focusing on delivery of LAA objectives and developing a broader, more versatile presence than just homelessness services.

Small homelessness agencies, therefore, will need to adapt and develop new skills in order to survive, and will need support in this. Organisations which decide or are forced to leave the market (whether by withdrawal or merger) will also need support to develop managed exit strategies.

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The table below sets out the relative size of the database sample counted in this exercise and the wider pool, which might contain further providers:

Type of project	Short-term	Short and long-term
Supported Housing Projects		
Single homeless only	537	651
Single homeless plus mental health, drug and alcohol and offenders	628	970
Floating Support projects		
Single homeless only	124	192
Single homeless plus mental health, drug and alcohol and offenders	225	355

A sample of long-term floating support schemes listed as being for single homeless people revealed a number of additional small, predominantly BMER, providers, which suggests that the figures in this report may be underestimates. It is also possible that some larger providers may have crept in: although all known large providers were excluded, time and resources did not allow a comprehensive check on the size of every organisation listed.

However, it is possible to say with some certainty that there are at least 75 small organisations across London involved in delivering SP-funded services to single homeless people; indeed the actual number is probably considerably higher. Approximately one third of these (23 organisations) are providing services to BMER communities.

The Commissioning Environment

To date, relatively few SP-funded services have been put out to tender. A review of tender announcements from March to November 2007¹ produced a total of 73 adverts. Of these, 11 were in London (see Appendix 2), two of which were seeking expressions of interest for framework agreements (see below). The rest were for relatively low value contracts – mainly in outer London.

The main reason for the low level of tendering so far has been the capacity of SP teams, whose primary focus since 2003 has been to review the performance and value of the plethora of services they inherited. As an example, Kensington & Chelsea has 86 separate contracts, Hammersmith & Fulham over 120. Their initial tasks, therefore, were to weed out sub-standard providers; identify areas where savings could be found (e.g. where providers were charging rates well above the norm); and to move satisfactory providers from interim to 'steady state' contracts. Some SP teams have not yet completed this process.

A full-scale tendering exercise is resource-intensive, and SP teams have therefore concentrated their efforts selectively. For example Camden, with an overall SP budget of £32m, has so far only tendered two services with a combined value of £2.6m and Wandsworth is only tendering one-in-five of the contracts which come up for review.

¹ All tender announcements for SP-funded services on the Supporting People K-Web, and in Inside Housing and Community Care for the period March – November 2007

Where tendering has taken place it has tended to be in three main areas:

- Where inadequate providers were being replaced
- Where new services are being created – in some cases the review of interim contracts generated savings above the level needed to cope with reductions in central government grants; these savings have frequently been recycled into new provision
- Floating support services.

The bulk of floating support services were commissioned in the period 2001-2003 when local authorities were trying to maximise their pots of SP funding. The result was often a patchwork of contracts within a borough (sometimes a dozen or more), serving broadly similar client groups, each with its own access routes and criteria. Where this was the case, there was a powerful argument for rationalisation to form a borough-wide generic service with a single access mechanism, backed up by a number of smaller, specialist services. A number of boroughs have chosen this route.

The impact of SP commissioning on small homelessness providers to date

The major reconfigurations of services that have taken place to date have been limited to floating support services. As far as we can tell, these do not seem to have had a serious impact on small homelessness agencies.

We looked at a sample of three re-provisioning exercises that resulted in generic floating support services: Camden, Lewisham and Southwark (Young People's services only). In all three cases, a number of existing contracts were wound up in order to fund a new borough-wide service: five in Southwark, nine in Lewisham (of which three were small accommodation-based projects), and fifteen in Camden. However, almost without exception, these contracts were held by either mainstream RSLs or larger specialist providers.

The single smaller organisation to lose a contract in the course of these reconfigurations suffered a loss of funding for one post. A loss that was fairly easily absorbed as, following a merger, the organisation was growing and was able to redeploy the person concerned.

The overall conclusion from the fieldwork was that relatively few smaller homelessness providers seem to have taken on floating support contracts as part of the 'gold rush' in the run-up to Supporting People and that, where they did, they were either providing a niche service which would not fit easily into a generic contract, or it was marginal territory which could relatively easily be abandoned as the climate changed. The process of re-provisioning to date had not, on the whole, affected their core business.

Future trends

A number of the people interviewed were concerned that developments which have not yet materialised, but are expected to over the next few years, will have much more serious consequences for the small provider sector. This section pulls together the key themes that emerged in the course of discussions with interviewees about their view of the future. As with all forecasts, what follows does not paint a certain picture of the future; it does, however, represent an amalgam of a number of best guesses about what may be around the corner by key figures.

Forecasting future trends is further complicated by the fact that no two boroughs are the same, meaning there is no consistent picture across London. Among the key factors which may differ are:

- The size and significance of the SP 'estate' – Camden, for example has an SP 'pot' of over £30 million, while Havering has less than £3 million
- Procurement standing orders and the influence of central commissioning functions, which appear to vary widely from borough to borough
- Where SP teams are located within their council (most commonly in Housing or Adult Services Departments).

As well as making forecasting difficult, these differences tend to limit the scope for joint initiatives and cooperation across boundaries. Contacts between Borough SP lead officers tend to take place at sub-regional level, and this is where the cross-borough initiatives which do exist (for example the joint framework agreement between RBKC and LBHF, with Ealing and Hillingdon as subsidiary partners) tend to take place, and where information on good practice is exchanged; coordination at London-wide level seems effectively non-existent. It is possible, however, to discern some common threads and trends, which we examine below.

An increase in the prevalence of tendering

It seems certain that over time tendering will become increasingly common, and that the proportion of contracts which are awarded by negotiation with the existing supplier will shrink accordingly. One of the clear pictures which emerged was of a dialogue between SP teams and central procurement teams over which services should be tendered and how the process should operate in order to comply with EU tendering regulations, with procurement teams constantly questioning the negotiated approach to contract renewal, and pushing in the direction of low-cost procurement.

All boroughs apart from those designated as 'excellent' are working towards five-year strategies which incorporate some form of commitment to increasing the proportion of their budget exposed to competition. Until now, SP teams have been able to claim, justifiably, that the need to complete the process of moving to steady state contracts has limited their capacity to engage in tendering but, increasingly, this will cease to be the case.

A smaller number of larger contracts, or framework agreements

The capacity constraints on SP teams mean that there will continue to be pressure to bundle together existing services into packages which can be let as one contract. This has clear advantages not only in terms of managing the tendering process (on the whole, it takes the same amount of work to tender a small contract as a large one), but also by reducing the amount of work required to manage contracts once they are let.

An alternative approach being adopted by some boroughs is the 'framework agreement'. In effect this is a list of preferred providers for each type of support the borough intends to commission; expressions of interest are invited at the start of the agreement period (6 years appears to be the norm), and would-be suppliers fill out detailed questionnaires covering such areas as strategic relevance, track record, evidence of ability to work in partnership, and the unit prices for which they undertake to deliver a service. A limited number of suppliers is chosen for each type of support scheme (the RBKC/LBHF scheme, the farthest advanced, has an upper limit of 14 suppliers per service), and the list is then closed. As new services are commissioned, or existing contracts come up for renewal, a mini-tendering exercise takes place between those organisations on the relevant list who express an interest.

For commissioners, the attractions of framework agreements are:

- They have the capacity to expose all SP services to a degree of market testing (although negotiated contracts are still possible)
- They enable the SP team to manage its supplier base more effectively
- Once the initial set-up has taken place, they substantially reduce the work involved in tendering a service.

Boroughs currently committed to this approach are Kensington & Chelsea/ Hammersmith & Fulham (in partnership, with Ealing and Hillingdon likely to join at a later stage), and Croydon. However several others, including Greenwich, Lewisham and Islington, are considering it.

Reprovisioning of accommodation-based schemes

There will continue to be a tidying-up of floating support arrangements in those boroughs which have not yet addressed this issue. Barnet, for instance, are planning to wrap up 21 existing contracts – including some low support accommodation-based schemes – into five packages of generic floating support services, but implementation has been delayed to enable the providers' network to explore the formation of consortia to bid for some or all of the packages.

It is clear, however, that the next phase of SP recommissioning will largely focus on the much larger number of accommodation-based schemes, and will therefore affect the core business of many smaller providers. One interviewee with a national overview felt that although London had got off relatively lightly

in the early stages of SP implementation, the impact on it of this next phase was likely to be particularly heavy.

Untangling the complicated network of relationships between support providers and building owners (in some cases the same), and between support and housing management, will not be easy. In some cases, such as hostels with 24-hour waking staff cover and foyers run by the building owner, it may not be possible. However, it is likely that over time even specialist provision for particular client groups may be bundled up and tendered out.

Erosion of non-specialist ‘second stage’ accommodation

There are a substantial number of schemes – typically those developed from the early 80s onwards under the Hostels Initiative and its successors – which provide low support ‘second stage’ housing (often defined as being for ‘single homeless with support needs’) where support is provided by staff who are not based on site. In many cases these are silted up with people who no longer need supported housing and are waiting for a move-on nomination.

Where a borough has a generic floating support scheme in place, there would be a strong argument for not renewing the contract of the existing support provider, and instead putting the funds into the floating support scheme. This would enable support to continue to be provided to those residents who need it, while signing off those who do not. Resources would thus be freed for use elsewhere, and SP teams would enjoy the benefits of resolving the issue of silt-up at the same time as rationalising their supplier base.

Some such projects have already been included in generic floating support services, and there are clear indications that this is expected to continue. The Camden generic floating support scheme, for example, was set up with a capacity to deliver services to 280 individuals. However, the forecast size in the medium-term is 600, to be achieved at least in part through this process of transfer. There are currently 151 beds in low support second stage housing for single homeless people in the borough and it seems likely that over the next 3 years, as steady state contracts come up for review, at least some of these will be transferred.

This is likely to have profound consequences for smaller providers, for many of whom such schemes are a key part of core business. For homeless people, it is difficult to see properties which have been transferred remaining part of a recognised pool of homelessness provision, as they increasingly become filled up with residents who do not need and are not receiving support and for whom there is no pressure or incentive to move on; over time, it is likely that building owners will decant and re-provision them – probably as mainstream housing. One SP lead officer spoke of second stage housing ‘withering on the vine’, which seems a very plausible scenario.

Local Area Agreements

The next big change facing the world of Supporting People is that, as of April 2009, the government plans to transfer SP funds into the relevant Local Area Agreements and to remove the ring fence on SP budgets. There are mixed views as to the implications of this change and, as with so many things, they are likely to vary substantially from borough to borough. However, there is a general consensus that there will be an increased emphasis on joint commissioning between SP, the teams responsible for Adult and Children/Young People's services, and PCTs.

The more pessimistic believe SP providers will come under increased pressure to reduce costs when they are compared with domiciliary care providers charging half their hourly rate. The more optimistic hope it will give small organisations, rooted in their local community and LAA networks, a potential competitive advantage over pan-London bulk suppliers. It is still too early to know which of these (or possibly both) will prove to be the case.

In the shorter term, the prospect of the ring fence being removed may spur SP teams into tying up as many contracts and framework agreements as they can before transfer, so as to safeguard as many services as possible. On the other hand, some SP leads are talking about the possibility of extending current contracts, due to expire between now and April '09, to allow contract reviews to take place after the handover has taken place.

Attempts by SP teams to maintain a diverse supplier base

Most of the SP leads we interviewed were concerned about the possible implications of these changes for smaller providers. Many of them had backgrounds in the voluntary sector and were keen to maintain (and even extend) a diverse supplier base. This concern was also evident at DCLG, which at the time of research was funding two major pieces of work aimed at building the capacity of smaller providers to survive within the new environment.

The main avenues through which SP teams had sought to address the issue were their borough Provider forums; many of these had small providers' groups, and a number of boroughs had sponsored workshops by specialist consultancies such as SITRA or CV Services on developing consortia and subcontracting relationships. Some had gone farther: RBKC, for example, had paid for an independent consultant to provide a free helpline service to small providers considering submitting an expression of interest for inclusion in their framework agreement.

Joint bidding and consortia

Despite a good deal of encouragement, this has not yet resulted in many successful examples of consortium bidding. Within London the only example to come to light in the course of this exercise was a consortium of three small domestic violence projects in Lambeth, who successfully won the contract for DV services in the borough against strong competition from larger providers from outside. Although there are more examples outside London (Wiltshire, Suffolk and Lancashire), all of these include large as well as smaller providers.

There are a number of possible structural reasons why successful consortium bidding is not more common:

- Difficult to put together: they require a degree of trust between organisations which may not have a track record of working together; there are no readily-available templates for the process or for core documents; and they generally require an input of resources for project management, facilitation and bid-writing which may not be easy for small organisations to find
- Timing: because they are difficult they take time to put together, and this may not fit into bidding timetables (Barnet put back their tendering plans by nine months in order to allow sufficient time for consortia to form)
- Suffering by Comparison: even if they are successfully formed and get to the point of placing a bid, consortia suffer from a number of disadvantages when compared to a single organisation. As one interviewee who had taken part in a near miss consortium bid said: 'it's hard for a consortium to match up – you can't demonstrate a history of working together, and can't prove it isn't going to be a communication nightmare'. The interviewee felt that in order for a

consortium bid to come out on top, some sort of positive action would be required from the commissioner: 'I was really excited by the bid we had put together, but came away feeling that consortia can't win'.

Subcontracting

This was seen by SP leads as another way for smaller providers to stay in the market, and a route for organisations which are not presently funded by SP to enter it. The latter particularly applies to refugee organisations, many of which did not take part in the scramble for SP contracts in 2002-2003 and are now effectively shut out of funding.

A number of commissioners had found ways of making it clear to large providers that their bids would be looked on favourably if they included one or more smaller partners as sub-contractors, and were framing their tender method statements and marking regimes accordingly. One was planning 'Meet the Partners' events at which prospective tenderers would be invited to set up stalls and meet the smaller providers in the borough, to allow relationships to form without the time pressure of a tendering process.

However, without this sort of intervention by the commissioner, choice of a subcontracting partner can be a hit-and-miss affair, depending largely on who knows whom. Even with encouragement, larger providers are likely to approach subcontracting with differing degrees of enthusiasm; from a genuine attempt to form a partnership to the perfunctory (little more than a phone call asking 'Can we name you as a subcontractor on our tender?'), which left the interviewee quoted in the previous section feeling 'They see us as a source of brownie points'.

There have also been some fairly well-publicised examples outside London of contractors who, having won a tender with smaller organisations named as subcontractors, then proceeded to dump them. The SP leads spoken to were aware of this and felt that it could be dealt with in the way the steady state contract with the main contractor was framed, and in the subsequent contract management arrangements. One interviewee said that he would look for arrangements which:

- Attach the subcontract as an Appendix (so the commissioner can check that its terms are fair and contain an appeal clause)
- Include the smaller agencies as nominated subcontractors
- Specify that subcontractors may only be sacked with the permission of the commissioner
- Include a right of reversion (so the commissioner can contract direct with the subcontractors if not satisfied with how they are being dealt with by the main contractor)
- Include subcontracting arrangements in the annual review of the main contract.

Positive action for diversity

This tends to centre on looking at ways in which the value of tenders can be assessed in broader terms than simply cost. A number of SP lead officers are considering ways in which tender requirements and scoring frameworks can be constructed so as to assess the broader benefits of a tender by adopting something similar to a social accounting approach.

There are three main areas on which attention appears to be focused:

- Strategic relevance: focusing not only on how a tender meets the borough's Supporting People Strategy, but the broader goals set out in Local Area Agreements and Sustainable Community Strategies, opens up opportunities for organisations with strong roots in the community to demonstrate the benefits of a local approach
- Partnerships and networking: including questions on this theme in the tender method statement gives smaller organisations an opportunity to demonstrate the value of local knowledge and relationships with other services (including pathways which they have developed into local, non-problem oriented networks) in delivering a holistic service which meets the need of the individual
- Added value: this enables locally-based organisations to identify the benefits they offer in terms of integrating the service tendered into the network of other services they provide in the area, and to highlight the economic benefit to the borough of delivery through the local voluntary sector.

To illustrate the latter point, Camden's central procurement team is currently undertaking a project, funded by the Treasury's Invest To Save budget, looking at the contribution of local commissioning strategies to the delivery of local strategic priorities; the approach being developed was recently trialled on the commissioning of mental health day services.

Most SP teams appear to be developing a role for service users in helping to assess tenders; again this is seen as a potential competitive advantage for smaller suppliers with a strong track record in user involvement.

However, mechanisms for sharing good practice, on actions which facilitate a broader approach, were weak at the time of fieldwork. CLG had appointed a consultant to follow up the work done on Value Improvement Programme pilots, and to produce a series of good practice resource packs which, together with the projects being carried out by SITRA and HACT, may fill a gap when published in mid-2008. In the meantime, sharing of good practice appears to rely mainly on informal contacts between SP leads at sub-regional level.

Implications for smaller homelessness providers

Key findings

1. Although the impact of changes in the contracting environment has been relatively small to date, developments now appearing on the horizon are likely to bring about substantial changes in the small provider sector.
2. As the focus of procurement swings towards accommodation-based schemes, smaller providers are likely to find elements of their core business under threat in several ways:
 - It seems likely that some contracts for low needs supported housing without staff on site will be allowed to lapse at the end of their present term, with the responsibility for support being transferred to the generic floating support provider for the borough
 - Services for higher needs or more specialist schemes are likely to be bundled in with similar schemes and tendered out in a smaller number of larger contracts.

In the former case, the current provider will simply lose this element of their business with no opportunity to tender for it; in the latter, they will have the opportunity to tender, but probably for a larger service and against competition.

3. New contracts put out to tender are likely to be substantially larger than current steady state contracts. This may make it difficult for smaller providers to tender in their own right. There are several reasons for this:
 - They may simply not have the capacity to put together a well-constructed, well-presented tender which can compete with organisations with dedicated business development departments
 - They may struggle to convince commissioners that they are able to operate at the sort of scale which the new contract demands
 - They may be disbarred by a local authority's procurement standing orders – many boroughs adopt the 20% rule i.e. the company's turnover needs to be five times bigger than the contract value to get through the PQQ phase. For contract values above say, £300k, this by definition rules out a single small provider
4. Subcontracting offers one way in which smaller providers may be able to retain a foothold in the market, although as a strategy this will be more available to some than others. The most attractive organisations are likely to be those bringing a specialism to the table that a generic main contractor lacks, the most probable being strong links into BMER

or other minority communities. Organisations whose stock-in-trade is generic support services for homeless people are less likely to be able to demonstrate their added value as partners. Finding a partner can be a hit and miss affair and, at the end of the day, a gamble: in a contract race between four major providers, there is roughly only a 25% chance that a small provider will choose the successful bidder. And, if they make the wrong choice, they will lose part of their business.

5. Consortia offer another potential survival strategy for small providers – however, they are difficult to achieve and require a level of resource which small providers may find difficult to spare. Again, as with subcontracting, it is a gamble – there is no guarantee of return for the outlay, and in order to win business at something approaching the present level an organisation may have to put in several bids. For a small, specialist organisation operating in only one borough this could require a radical break from existing patterns.
6. There will still be some services for which contracts are awarded by negotiation. The circumstances in which this is possible will vary from borough to borough, and small providers who want to persuade commissioners that their service should be treated in this way will need to argue their case strongly and understand the minutiae of the procurement process.
7. The transfer of SP budgets into Local Area Agreements in 2009 could provide organisations that have strong local roots and networks with a competitive advantage. In order for this to be the case, commissioners will need to adopt scoring regimes which ensure that value rather than cost is measured and rewarded.

Survival strategies

The three main bidding strategies have already been outlined: bidding as a sole contractor; as part of a consortium; or as a subcontractor to a larger provider. Alongside these are two generic strategies likely to offer survival routes for smaller providers:

- Specialisation: organisations with specialist skills or an ability to link into hard-to-reach communities are likely to be the most sought-after subcontracting partners for large providers. Organisations which want to adopt this approach must be able to:
 - define and market their specialism
 - manage negotiations effectively with a number of potential main contractors to avoid suffering a disadvantage
 - bid for more contracts than they need on the basis that not all bids will be successful
- Localisation: organisations which decide to capitalise on their links within an existing borough or community will need to develop:
 - organisational versatility which enables them to deliver a range of services going beyond homelessness and cross commissioning

boundaries – either in their own right or as part of a local consortium

- an ability to forge genuine partnerships
- strong links into local networks, and in particular a good understanding of how the Local Area Agreement is being delivered.

As with all major changes in environment, survival will depend on the ability to adapt. A frequent concern raised by interviewees was the ‘ostrich approach’ adopted by a number of smaller providers, who fail to understand the need to break out of rigid, entrenched models of service delivery. The days of providing services ‘only to our clients in our stock’ are numbered.

However, confidence was expressed at the number of good, dynamic and creative small providers who have much to contribute, and who will seek to rise to the challenge. Suggestions for a survival programme for such organisations included the following:²

- Management and Board need to return to first principles: deciding what the organisation is for; whether there is a reason why it should exist independently; their vision of the future; and whether they want to continue. It is vital organisations get this stage right if their bid is to be effective.
- Overcome the mental hurdle of bidding: plan a strategy for getting a bid and what will happen if this is unsuccessful
- Focus on improving business processes: good monitoring, accountability and quality systems are essential
- Develop a better understanding of what outcomes commissioners are looking for and be proactive in selling how you want to deliver them
- Improve collaboration and negotiation skills in dealing with potential partners and lead contractors
- Learn how to manage consultants – somewhere along the line, organisations are likely to need to buy in advice and capacity.

Soft landings

Not all organisations will be able, or wish, to adapt to an environment in which life becomes, at least for a few years, a series of high stakes bets rather than a reasonably stable continuum based on a fairly predictable flow of contract income. Indeed a few have already come to the conclusion that a managed exit is the best course of action. The choice of exit route is likely to depend on the extent to which provision of support services is the organisation’s sole or main activity, or whether it is ancillary to its core business.

An example of the former is Grove Housing which, when it saw that its income was likely to decline to unsustainable levels in two to three years’ time, took a proactive decision to seek a merger partner. An example of the latter is Revolving Doors Agency which, faced with the loss of some of its service

² We are indebted to Phil Saunders, who provides the RBKC independent helpline for small providers, for many of these points

delivery activities (making the remainder uneconomic), decided to revert to its core function as a research and development agency, basing its business model on increasing its stream of earned income from selling its services.

Over the next few years more organisations will conclude that the writing is on the wall; while others will be forced to this realisation when they fail either to get onto framework agreements, or to have steady state contracts renewed, or to win bids for re-tendered services.

Organisations in this position, therefore, will need to plan and execute a managed exit strategy. Indeed, RBKC have recognised this need and intend to provide an aftercare service for providers who fail to get a place within the framework agreement. One merit of the changes is that there should be enough warning of problems for providers to develop a structured exit strategy rather than having to respond to a sudden crisis.

Appendix 1

Information sources used in compiling the report

Supporting People teams

Interviews or email correspondence with:

- Greenwich
- Lewisham
- Southwark
- Lambeth
- Wandsworth
- Croydon
- Hillingdon
- Brent
- Kensington & Chelsea
- Camden
- Barnet
- Havering
- Tower Hamlets

Other interviewees/sources

- David Powell – DCLG
- Phil Saunders – independent consultant responsible for RBKC's small providers helpline
- SITRA
- Homeless Link
- Pam Robinson – Chief Executive, Kickstart
- Margaret Malcolm (merger facilitator, Grove Housing)

Data on small provider population

- National Supporting People Directory - www.spdirectory.org.uk

Data on tenders

- Supporting People K-Web - www.spkweb.org.uk
- Inside Housing
- Community Care

Appendix 2

Tenders announced in London: March – November 2007

Borough	Service
Sutton	Reprovision of community support service
Croydon	Expressions of interest for inclusion on framework agreement
City of London	Rough sleepers outreach service
RBKC/LBHF	Expressions of interest for inclusion on framework agreement
Sutton	Reprovision of generic tenancy support
Newham	Young people's accommodation-based service – new provision
Havering	Reprovision of accommodation-based service
Havering	Three floating support schemes (generic, learning disability & offenders – two reprovision, one new)B
Greenwich	Reprovision of mental health supported lodging scheme
Lambeth	Expressions of interest for pre-qualified list of extra care providers and two sheltered housing schemes
Enfield	New provision of extra care accommodation

Appendix 3

Small Supporting People providers in London

Supported Housing – single homeless

Name of provider	Units/ beds	Client group	Borough
Ackee	17	BME young women	Haringey
ARHAG	12	Refugees/HIV	Newham
Asclepion	5	Mental health	Wandsworth
Ashiana	11	DV/young women	Waltham Forest
Aurora options	2	LD	Lewisham
Austin House	20	SH	LBHF
Avenues Trust	6	MH	Bromley
Cara Irish Housing	218	BME	Various
CAYSH	80	16-25s	Croydon
Christian Family Concern	10	SH/Teen parents	Croydon
Ebony Sistren	45	BME women	LBHF
Ekaya	6	Teen parents	Southwark
Emmaus	10	SH	Greenwich
Field Lane Foundation	17	Homeless families	RBKC
First Fruit	14	SH/16-25s	Newham
GHS Supported Housing	13	SH	Greenwich
Gordon House Association	13	SH	Bromley
Grenfell HA	23	16-25s (plus 52-bed foyer)	Various SW London
Haringey Advisory Group on Alcohol	10	SH/alcohol	Haringey
Harrow HA	38	16-25s	Harrow
Homerton Space Project	11	16-18s	Hackney
Hounslow Afro-Caribbean Association	8	16-25	Hounslow
Innisfree	58	SH (Irish)	Brent/Ealing
Inquilab	6	SH	Hounslow
In-Touch	140	SH	Various S London
Kaleidoscope	10	MH	Kingston
Kick Start	36	16-25s	Camden
Kingston Churches Action on Homelessness	40	SH	Kingston
Kurdish HA	10	Refugees	Hackney

Name of provider	Units/ beds	Client group	Borough
Living Space	150	MH	Hackney
Local 33 Church Triumphant	10	SH	Lambeth
Marsha Phoenix Memorial Trust	26	Young women	Lewisham
Merton Action for the Single Homeless	9	16-25s	Merton
Mind In Haringey	6	Refugees	Haringey
Norwood	5	SH/MH	Barnet
Oasis Housing	14	Young women	Ealing
Outward Housing	4	MH	Tower Hamlets
Pathway HA	130	16-25s	Various SW London
Penrose HA	74	Ex-offenders	Various
Rugby Portobello Trust	37	16-25s	RBKC
Safe Start Foundation	24	16-25s	Barnet
Servol Community Trust	12	MH/SH	Wandsworth
Simba HA	31	Afro-Caribbean 16- 25s	Greenwich
SPEAR	18	Single homeless	Richmond
St Ignatius HA	49	SH/Refugees	Haringey
Step Forward	7	Rough sleepers	Lambeth
Step Up (The Renewal Programme)	89	16-25	Newham
Surrey Community Development Trust	8	SH/MH	Sutton
Tamil Community HA	20	Refugees/HIV	Hackney/ Newham
The Big House	10	SH	Southwark
The Connection at St Martin's	16	SH	Wandsworth
Trinity Homeless Projects	25	SH	Hillingdon/ Hounslow
United Anglo-Caribbean Society	6	BME 18-25s	Ealing
Waltham Forest YPHP	19	16-25s	Waltham Forest
Western Lodge	30	SH	Various S London
Westside Housing	25	SH	LBHF
Woodstock Hostel	13	BME 17-24s	LBHF
Wytham Hall	14	Multiple needs	Brent

Floating Support – single homeless

Name of provider	Units/ beds	Client group	Borough
Apna Ghar	20	BME (Pakistani)	Harrow
Arneway Housing Co-op	27	Complex needs	Brent
Bexley Churches HA	40	MH/generic	Bexley
Bromley Churches HA	17	16-25s	Bromley
Cara Irish Housing	50	BME (Irish)	Islington
Catalyst Communities HA	26	Generic resettlement	Hillingdon
Chinese Mental Health Association	15	BME (Chinese)	Barnet
Croydon Churches HA	80	Rough sleepers/ generic	Croydon
Cyrenians	15	Refugees	Hounslow
Ekaya	33	Sickle Cell/Teen parents	Southwark/ Wandsworth
Frays Charitable HA	100	Generic resettlement	Hillingdon
Homeless Action Barnet	30	Generic resettlement	Barnet
Innisfree	43	BME (Irish)	Brent
Iranian Association	30	BME (Iranian)	Ealing
Karin HA	21	Refugees	Tower Hamlets
Quaker Social Action	19	Generic resettlement	Tower Hamlets/ Hackney
REAP Resettlement Agency	16	Generic resettlement	Hounslow
Servol Community Trust	9	BME MH	Wandsworth
Step Forward	5	MH/Generic	Enfield
Threshold Housing Advice	8	Generic resettlement	Merton
Tulip Mental Health Group	92	MH/Refugees	Enfield
Umbrella	24	MH/Generic	Barnet
Victim Support Southwark	25	Victims of hate crime	Southwark

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Further information

The London Housing Foundation has published a report on the new performance framework: Demonstrate your contribution: Homelessness and the new National Indicators. This and further material about Supporting People outcomes is available from our Homeless Outcomes website:

www.homelessoutcomes.org.uk

Feedback

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